



## **Office of Internal Audit**

### **Monthly Internal Control Tip**

**Ensure that your area, agency, or department considers the following best practices when preparing an account or cash reconciliation.**

A reconciliation is the process of comparing activity or transactions to supporting documentation. Examples include, but are certainly not limited to, reconciling cash on hand to the cash register report for the same period or reconciling financial assistance payment detail per the case management system to applicable financial system (LeAP) reports. The reconciliation process ensures the accuracy and validity of financial information. Also, a proper reconciliation process ensures that unauthorized changes have not occurred to transactions during processing. Reconciliations are one of the most commonly used internal control techniques. There are some effective and easy to implement best practices listed below.

- Errors and discrepancies, intentional or unintentional, should be detected, investigated and resolved in a timely fashion.
  - Document a plan for the research and correction of errors or discrepancies of each type of transaction or activity. Communicate these processes and procedures with the appropriate staff.
  - Establish expectations for timeliness of error correction.
- Reconciliations should be performed periodically (i.e. weekly, monthly, or annually).
- Employees involved in the reconciliation process should be knowledgeable and clear on their responsibilities and expectations.
  - Be consistent with reconciliation processes. Unnecessary and undocumented changes to the reconciliation process often lead to undiscovered inaccuracies and potential fraud.
  - Reconciliation should be documented clearly to verify that a review has been done.
  - Policies and Procedures should be developed to guide the reconciliation process. Policies and Procedures should be documented clearly and communicated. Policies and Procedures should include the following:
    1. Details regarding how to perform the process as well as who is responsible (Process Owner) for various components of the process.
    2. The title of reports used within the reconciliation process as well as how to generate the report.
    3. If the reconciliation is the result of efforts between multiple agencies or departments (i.e. Office of Management and Budget- Business Office and Your Department), Inter-Departmental Policies and Procedures should be developed so that each party understands their role and responsibility within the process.
- Ensure that reconciliations are subject to a supervisory review. In all cases, the person performing the initial reconciliation should sign and date the reconciliation upon completion. In cases where a secondary review is performed, both the initial preparer and the secondary approver should sign and date the reconciliation as evidence of completion and approval.

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